



A presentation to the City of Santa Barbara Infrastructure Financing Task Force

# Overview of Infrastructure Financing Techniques & Developer Fees

May 1, 2008

## **PRESENTATION OUTLINE**

- **Infrastructure Financing Techniques**

  - Typology of Techniques

  - Summary of Common Techniques

- **Development Fees**

  - Legal Basis

  - Implementation Process

  - Limitations on Use of Fees

  - Summary of Fee Practices

  - Implications for City of Santa Barbara

# INFRASTRUCTURE FINANCING TECHNIQUES

## TYOLOGY OF INFRASTRUCTURE FINANCING TECHNIQUES

- Long-Term Debt Financing Techniques
- Assessment Districts
- Special Taxes
- Exactions & Fees (separate focus on fees)
- General Fund & Enterprise Fund  
Budgeting (not addressed here)

## Long-Term Debt Financing Techniques

(long-term borrowing paid with a dedicated funding source)

- **General Obligation (GO) Bonds**  
For facilities or land acquisition only  
Supported by property tax increase  
Requires 2/3rds vote  
Appropriate for long-term financing (25+ years)
- **Revenue Bonds**  
For facilities or land acquisition only  
Supported by a dedicated revenue stream (e.g., user charges; parking meter revenue)  
No public vote required  
Appropriate for long-term financing (25+ years)

## Long-Term Debt Financing Techniques (continued)

- Lease Revenue Bonds

Bond financing paid with lease revenue

For any facility or project that can be leased to a public agency

No public vote required

- Certificates of Participation (COP)

A tax-exempt lease, rather than a bond

For equipment, facilities or land acquisition only

Supported by lease payments to a third party for the use or construction of the facilities

No public vote required

Appropriate for long-term financing (up to 30 years)

## Assessment Districts

- For a particular and distinct benefit beyond general benefits to real property or to the public at large
- Assessment amounts must be proportional to the particular special benefit conferred on each parcel
- Requires a detailed engineer's report to estimate improvement costs, set district boundaries and establish the assessment formula
- Requires a weighted majority vote of property owners within the district
- Assessment amounts become liens on property
- Frequently used to support debt to pay for improvements authorized for the district, but at greater cost than GO or revenue bonds

## Assessment Districts (continued)

- Numerous types of assessment districts are specifically authorized by State law
  - Improvement Act of 1911
  - Municipal Improvement Act of 1913
  - Improvement Bond Act of 1945
  - Park & Playground Act of 1909
  - Tree Planting Act of 1931
  - Landscape & Lighting Act of 1972
  - Benefit Assessment Act of 1982
  - Integrated Financing District Act
  - Street Lighting Act of 1919
  - Municipal Lighting Maintenance Act of 1927

## Assessment Districts (continued)

Street Lighting Act of 1931

Parking District Act of 1943

Parking District Law of 1951

Parking & Business Improvement Area Law of 1989

Property & Business Improvement District Law of 1994

Pedestrian Mall Law of 1960

Permanent Road Divisions Law

Community Rehabilitation District Law of 1985

Geologic Hazard Abatement District

Open Space Maintenance Act

Fire Suppression Assessment

## Special Taxes

- **Parcel Taxes**

Flat rate tax on each parcel of land, but tax rate may differ by land use

Considered a special tax subject to 2/3rds vote

May be used for capital and O&M costs

- **Excise Taxes**

An activity tax on the use of facilities or services (e.g., admissions tax, construction tax, real estate transfer tax, utility tax, TOT tax)

If revenues are for general purposes, majority vote required; for special purposes, 2/3rds required

May be used for capital and O&M costs

## Special Taxes (continued)

- **Special Taxes for Libraries, Hospitals and Protective Services**

Specifically authorized in State law to fund facilities and services

Requires 2/3rds vote

- **County Sales Tax Increases**

Adds \$0.25 or \$0.50 to the sales tax

May be used for transportation improvements or general expenditures; facilities and O&M costs (e.g., Measure D)

Requires 2/3rds vote by Board of Supervisors and majority vote of public

## Special Taxes (continued)

- **Community Facilities District (Mello-Roos)**  
For facilities & services that benefit district properties; can secure bonds or pay for O&M costs  
Paid by additional property tax  
Applied most often to large new developments  
Requires 2/3rds vote of registered voters or 2/3rds of land owners if less than 12 voters
- **Infrastructure Financing District**  
Uses property tax increment similar to a Redevelopment Agency  
Requires an extensive formation process  
2/3rds vote required

## Exactions and Fees

- Types of Exactions:
  - Dedications of land and fees in lieu thereof
  - Subdivision reservations
  - Project design and improvement requirements
  - Zoning requirements
  - Development Agreements
- Types of Fees:
  - Service, user and connection fees (some subject to Prop 218)
  - Regulatory fees
  - Development fees

# DEVELOPMENT FEES

## OVERVIEW OF DEVELOPMENT FEES

- Legal Basis
- Process for Implementing a Fee System
- Limitations on the Use of Fees
- Summary of Current Fee Practice
- Possible Revenues for City of Santa Barbara
- Some Implications and Cautions

## Legal Basis for Development Fees

- **Mitigation Fee Act**  
(Govt. Code Sec. 66000, *et seq.* aka AB 1600)
- **California Constitution**  
Police powers of cities and counties
- **Federal and State Case Law:**  
*Nollan, Dolan, Ehrlich, etc.*

## Process for Implementing a Fee System

- “Nexus” (reasonable relationship) study specifying:
  - Purpose of the fee and specific uses of fee revenues
  - Benefit relationship (use of fees and type of development on which fees are imposed)
  - Burden relationship (need for facilities and type of development on which fees are imposed)
  - Proportionality (fee amount vs. cost of public facilities)  
(Assess feasibility of fee amounts)
- Implementing ordinance, fee resolution and administrative guidelines
- Special time limits for public notice and legal challenges

## Limitations on the Calculation and Use of Fees

- Pays for facilities construction, not maintenance & operations
- No burden-shifting for any existing infrastructure deficiencies
- No change in level of service, unless otherwise funded
- Use revenues only for improvements that are the basis for the fee
- “Commit” funds or refund them after 5 years (annual reporting)
- Administrative procedures to avoid “takings” claims
- Administrative procedures for projects in process at time of adoption
- Annual inflation adjustment (consider alternatives to CPI)

## Summary by Current Fee Practice in the Santa Barbara Vicinity\*

- Types of Fees
- Range of Fees

\* ***Santa Barbara Vicinity:*** Cities and communities located within San Luis Obispo County, Santa Barbara County and Ventura County. Data on fees in other jurisdictions available from HR&A.



## SANTA BARBARA VICINITY FEES – Most Common

- Traffic and/or Transportation Impact Fees
- Parks and Recreation Fees
- Open Space Acquisition Fees
- Tree and Landscape Fees
- Parking Fees
- Street Lighting Fees
- Police Services Fees
- Fire Suppression/Emergency Medical Fees

## SANTA BARBARA VICINITY FEES – Other Fees

- Public Art Fees
- Population Fees
- Transportation Fees
- Addition Commercial & Industrial Fees
- Street and Thoroughfare Fees
- Highway Fees
- Aquatic Fees
- Affordable Housing In-Lieu Fees

# TRAFFIC AND IMPACT FEES

- Agoura Hills: \$4.18/SF for low impact areas \$9.76/SF for high impact areas
- Moorpark: \$2,030/Dwelling Unit (DU) for low impact areas  
\$3,760/DU for high impact areas
- Ventura: \$4.13/SF in Commercial \$4.415/SF in Office  
\$2.21/SF in Industrial \$1.38/SF in Manufacturing  
\$5,245/Single Family DU \$3,145/DU in Multi-Family
- Carpinteria: \$0.59/SF for Residential Property  
\$2.53/SF for Commercial Property

# TRAFFIC AND IMPACT FEES

- Camarillo\*: \$3,887-\$5,294/DU  
\$1,352-\$1,001/Hotel Room  
\$6,884-\$5,129/1,000SF of Office space  
\$1,201-\$896/1,000SF Manufacturing space

\*Specific amount depends on impact district

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- Thousand Oaks: \$18/Average Daily Trip (ADT)

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- Orcutt: Road Fee- \$1,615/Condominium  
Bikeway Fee- \$264/Single Family DU

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- Goleta : \$7,222/Condominium

## TRAFFIC AND IMPACT FEES

- City of San Luis Obispo: **\$3,093**/Single Family DU  
**\$2,745**/Multi-Family DU  
**\$6.52**/ SF of Retail  
**\$6.20**/SF of Office  
**\$3.36**/SF of Service Commercial  
**\$5.26**/ SF of Hospital Space  
**\$1,436**/Hotel Room  
**\$7,307**/Pump for Service Stations
- County of Santa Barbara: **\$465-\$1,726**/Peak Hour Traffic Trip

### PARKS AND RECREATION FEES

- Moorpark: Tree and Landscape fees- **\$0.05**/SF  
Parks fees- **\$0.50**/SF
- City of Ventura: Park Facilities fees- **\$451** /1br **\$617** /2br  
**\$977** /3br **\$1,398** /4br  
Park Mitigation fees- **\$610** /DU in Single Family Home  
**\$571** /DU in Multi-Family Bldg  
**\$0.13** /SF in Commercial Property
- Carpinteria: Parks Land Acquisition fees- **\$8.00** /SF for Residential Property  
**\$2.45** /SF for Commercial Property
- Orcutt: Quimby Fees- **\$3,484** /Single Family DU  
**\$1,031-\$1,453** /Commercial Property  
Recreation Fees- **\$3,339** /Single Family DU

### PARKS AND RECREATION FEES

- Goleta: Quimby Fees- **\$9,509**/Single Family DU  
**\$1,469-\$2,072**/Commercial Property  
Recreation Fees- **\$9,574**/Single Family DU
- City of San Luis Obispo: Park In-Lieu Fees- **\$4,865**/Single Family DU  
**\$3,858**/Multi-Family DU
- County of Santa Barbara: Quimby Fees- **\$1,034**/Single Family DU  
Recreation Fees- **\$1,008**/Single Family DU
- County of San Luis Obispo: Quimby fees- **\$1,795**/DU  
Parks fee- **\$2,156**/Single Family DU  
Parks fee- **\$1,641**/DU for Multi-Family Bldg

### FIRE FEES

- Agoura Hills: **\$0.37** / SF
- City of Ventura: **\$667** / Single Family DU  
**\$502** / DU in Multi-Family Bldg
- Moorpark: **\$0.11** / SF
- Orcutt : **\$682** / Single Family DU
- Goleta Planning Area: **\$689** / Single Family DU
- County of San Luis Obispo: **\$0.82** / SF
- County of Santa Barbara: **\$0.20** / SF for non sprinklered buildings  
**\$0.10** / SF for sprinklered buildings

### PARKING FEES

- Ventura: **\$2,899** for each parking space
- Moorpark: **\$3,000** for each parking space reduction

### POLICE/SHERIFF FEES

- Moorpark: **\$0.41**/SF
- Camarillo: **\$37**/DU for Residential Property  
**\$277**/acre for Commercial Property  
**\$23**/acre for Public Park Land
- Orcutt: **\$243**/DU Single-Family  
**\$166**/DU Other Residential  
**\$168**/1,000 SF Retail  
**\$236**/1,000 SF Other Commercial

## LIBRARY FEES

- Orcutt: \$615/Single Family DU  
\$420/DU in Multi-Family Bldg  
\$423/Commercial Retail  
\$597/Commercial (non-Retail)
- Goleta: \$384/Single Family DU  
\$285/DU in Multi-Family Bldg  
\$135/Commercial Retail  
\$190/Commercial (non-Retail)

### **How Much Revenue Could Development Fees Generate for the City of Santa Barbara?**

(depends on fee program specifics, but for example...)

- Assume annual average scale of new development
- Assume a representative system of fees
- Estimate potential fee revenue

### Annual Average Scale of New Development in Santa Barbara

- Residential: 100 market rate condos (2-BR; 1,500 s.f.) or 500 units over 5 years
- Commercial: 86,000 s.f. per year or 430,000 s.f. over 5 years
  - 25% Retail
  - 25% Commercial office
  - 25% Other Commercial
  - 25% Institutional Uses

## A representative fee system:

Fee Types	Residential Fees	Commercial Fees
Traffic Impacts	\$4,000/DU	\$4/SF
Parks & Recreation	\$900/DU	\$0.50/SF
Fire Fees	\$600/DU	\$0.30/SF
Library	\$495/DU	\$275/1,000 SF

## Illustrative Development Fee Results - Annual

	Traffic	Parks	Fire	Library	Totals
Annual					
100 Condos (1,500 SF/unit)	\$400,000	\$90,000	\$60,000	\$49,500	\$599,500
86K SF Commercial	\$344,000	\$43,000	\$25,800	\$23,650	\$436,450
<b>Totals</b>	<b>\$744,000</b>	<b>\$133,000</b>	<b>\$85,800</b>	<b>\$73,150</b>	<b>\$1,035,950</b>

## Illustrative Development Fee Results – 5 years

	Traffic	Parks	Fire	Library	Totals
5-Years					
500 Condos (1,500 SF/unit)	\$2,000,000	\$450,000	\$300,000	\$247,500	\$2,997,500
430K SF Commercial	\$1,720,000	\$215,000	\$129,000	\$118,250	\$2,182,250
<b>Totals</b>	<b>\$3,720,000</b>	<b>\$665,000</b>	<b>\$429,000</b>	<b>\$365,750</b>	<b>\$5,179,750</b>

## Development Fee Implications and Cautions

- Development fees are a useful component of an overall infrastructure financing program
- Process for establishing fees can be time consuming, expensive and is often contentious
- Fee revenues rise and fall with real estate market cycles; down markets lead to pressure for fee reductions
- With modest amounts of new development, annual fee revenues may not yield timely infrastructure results



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